

Message Text

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SSUBJ: CEP: U.S. STOCKPILE POLICY BRIEFING FOR THE
DEC 13-14 PLENARY SESSION, NATI SENIOR CIVIL
EMERGENCY PLANNING COMMITTEE. (SCEPC)
REF: USNATO 10865, 031127Z NOV 77

WE PROVIDE BELOW TEXT OF BRIEFING ON US STOCKPILE POLICY
TO BE PRESENTED TO NATO SENIOR CIVIL EMERGENCY PLANNING
COMMITTEE (SCEPC) DURING ITS PLENARY SESSION DECEMBER
13-14. PLEASE HAVE TEXT HANDLED IN NATO AS NATO
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PAGE 02 STATE 280363

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BEGIN TEXT:

I. BACKGROUND

1. THE NATIONAL STOCKPILE OF STRATEGIC AND CRITICAL
MATERIALS IS A MAJOR FEDERAL PROGRAM, INVOLVING OVER
DOLLARS 8 BILLION IN ASSETS. FOR MANY YEARS, IT HAS
PROVIDED OUR NATION WITH SECURITY THROUGH THE

GUARANTEE THAT WE WILL HAVE ACCESS TO THE RAW MATERIALS
WE WOULD NEED DURING A NATIONAL EMERGENCY.

2. THE GOVERNMENT STORES THESE MATERIALS SO THAT THEY
WILL BE AVAILABLE TO INDUSTRIAL USERS DURING A
NATIONAL EMERGENCY. THE EMERGENCY ENVISIONED BY
STOCKPILE PLANNERS IS A MAJOR CONVENTIONAL WAR,
WHICH FOR STOCKPILING PURPOSES ENCOMPASSES ALL
WARS THAT ARE LESS STOCKPILE-INTENSIVE.

THE STOCKPILE OF STRATEGIC AND CRITICAL MATERIALS
CONSISTS OF 93 MINERALS, METALS, AND OTHER INDUSTRIAL
MATERIALS STORED AT 117 LOCATIONS IN THE UNITED
STATES. THE AGGREGATE VALUE OF THE STOCKPILE AS
OF MARCH 1977 WAS DOLLARS 8.6 BILLION. MOST OF THE
MATERIALS WERE ACQUIRED BEFORE 1959.

3. THE FIRST STOCKPILING LEGISLATION WAS PASSED
IN 1939. AS A RESULT OF OUR EXPERIENCE WITH
MATERIAL SHORTAGES IN WORLD WAR II, CONGRESS PASSED
THE STRATEGIC AND CRITICAL MATERIALS STOCKPILING
ACT IN 1946 TO SUPPLY QUOTE ...THE INDUSTRIAL,
MILITARY, AND NAVAL NEEDS OF THE COUNTRY FOR
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PAGE 03 STATE 280363

COMMON DEFENSE... UNQUOTE, AND TO QUOTE ... PREVENT
WHEREVER POSSIBLE A DANGEROUS AND COSTLY DEPENDENCE...
UNQUOTE ON FOREIGN SOURCES OF SUPPLY. THE STOCK-
PILING ACT IS STILL THE BASIC AUTHORITY FOR THE
STOCKPILE PROGRAM. THERE EXIST, HOWEVER, TWO OTHER
STOCKPILES: THE SUPPLEMENTAL STOCKPILE, AUTHORIZED
UNDER THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT (1954), AND THE DEFENSE PRODUCTION
ACT INVENTORY, AUTHORIZED BY THE DEFENSE PRODUCTION
ACT (1950).

4. DURING THE 1940'S AND 1950'S, MATERIALS WERE
ACQUIRED FOR THE STOCKPILE IN LARGE QUANTITIES
UNDER THE AUSPICES OF ALL THREE STATUTES. IN
MOST CASES, MATERIAL ACQUIRED FOR THE DPA INVENTORY
WAS BELOW STOCKPILE GRADE.

5. "OBJECTIVES," I.E., DESIRED INVENTORIES OF
INDIVIDUAL STOCKPILE MATERIALS, WERE ESTABLISHED
LARGELY BY PANELS OF EXPERTS WHO STUDIED EACH
MATERIAL SEPARATELY. IN THE LATE 1960'S AND
EARLY 1970'S, THERE WERE A NUMBER OF DISPOSALS
OF MATERIALS THAT WERE DEEMED EXCESS TO NATIONAL
SECURITY NEEDS. MEANWHILE, THE METHODS OF STOCK-
PILE PLANNERS BECAME SOMEWHAT MORE SOPHISTICATED,
THOUGH THE MATERIAL-BY-MATERIAL APPROACH STILL

DOMINATED, CAUSING A REVIEW CYCLE OF MORE THAN

10 YEARS IN SOME CIRCUMSTANCES. THIS WAS NOT SATISFACTORY FOR DEFENSE PLANNING PURPOSES AND CORRECTIVE ACTION WAS TAKEN. IN 1973, FOR THE FIRST TIME, STOCKPILE OBJECTIVES FOR ALL MATERIALS WERE ESTIMATED SIMULTANEOUSLY AND FROM THE SAME SET OF BASIC PLANNING ASSUMPTIONS.

II. ACTIVITIES

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PAGE 04 STATE 280363

6. THE FEDERAL PREPAREDNESS AGENCY'S (FPA) JOB IS TWOFOLD: TO IMPLEMENT THE STOCKPILE POLICY GUIDANCE AS PROMULGATED BY THE PRESIDENT AND TO IMPLEMENT THAT GUIDANCE BY OBTAINING APPROPRIATIONS FOR ACQUISITIONS AND THE AUTHORITY FOR DISPOSALS FROM THE CONGRESS.

7. BETWEEN 1973 AND 1975 THE ENTIRE STOCKPILE PROGRAM CAME UNDER CAREFUL SCRUTINY BY BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE U.S. GOVERNMENT. AS A CONSEQUENCE, BEGINNING IN 1975, A MAJOR REVIEW AND INTERAGENCY STUDY, CHAIRED BY THE DIRECTOR, FPA, WAS UNDERTAKEN.

8. OTHER PARTICIPATING AGENCIES INCLUDED THE DEPARTMENTS OF DEFENSE, COMMERCE, INTERIOR, STATE, AND THE OFFICE OF MANAGEMENT AND BUDGET AND THE COUNCIL ON INTERNATIONAL ECONOMIC POLICY.

9. THE STUDY WAS DIVIDED INTO TWO PHASES. PHASE I INVOLVED A THOROUGH EXAMINATION OF PROCEDURES AND METHODS. THIS PHASE CONCLUDED WITH THE DEVELOPMENT OF AN INTERAGENCY UNDERSTANDING OF STOCKPILE METHODOLOGY AND A REAFFIRMATION OF FPA'S ROLE AS THE GOVERNMENT'S DOMINANT POLICY AND PLANNING AGENCY.

10. A SECOND IMPORTANT RESULT WAS THE ACCEPTANCE OF THE SUPPLY AND DEMAND IMBALANCE APPROACH AS A BASIC METHODOLOGY IN STOCKPILING. TWO MAJOR FEATURES OF THIS APPROACH ARE: (1) THE USE OF SEPARATE ESTIMATES OF SUPPLIES AND REQUIREMENTS RATHER THAN THE USE OF ONE-DIMENSIONAL CONCEPTS SUCH AS IMPORT DEPENDENCY OR SOME PERCENTAGE OF LIMITED OFFICIAL USE
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PAGE 05 STATE 280363

CONSUMPTION; AND (2) ACCEPTANCE OF THE REQUIREMENT TO FILL ANY GAP IF THE REQUIREMENTS ARE GREATER

THAN THE SUPPLIES.

11. A THIRD MAJOR RESULT OF THE PHASE I STUDY WAS THE DEVELOPMENT OF A NEW TYPE OF STOCKPILE GOAL-

ESTIMATING METHODOLOGY WHICH IS CALLED THE VARIABLE CONFIDENCE LEVEL APPROACH. THIS TECHNIQUE COMBINES THE SUPPLY/DEMAND IMBALANCE APPROACH WITH DIFFERENT LEVELS OF RISK ASSIGNED TO VARIOUS SECTORS OF THE ECONOMY.

12. THE ECONOMY IS FIRST STRATIFIED INTO THREE TIERS: DEFENSE, ESSENTIAL CIVILIAN, AND GENERAL CIVILIAN. THE DEFENSE TIER INCLUDES DIRECT PROCUREMENTS BY THE DEPARTMENT OF DEFENSE FOR SUCH THINGS AS TANKS, AIRCRAFT, AND THE LIKE, AND ALSO INCLUDES THE INDIRECT PRODUCTION THAT IS REQUIRED TO SUPPORT THE INPUTS FROM THE STEEL INDUSTRY THAT ARE REQUIRED FOR WEAPONS AND SUPPORT, THE INPUTS FROM THE SUPPLIERS IN THE STEEL INDUSTRY, AND SO ON.

13. THE ESSENTIAL CIVILIAN TIER OF THE ECONOMY IS CHARACTERIZED BY EXPENDITURES PRIMARILY RELATED TO THE SUPPORT OF THE WAR EFFORT AND FOR WHICH SUBSTITUTES ARE NOT READILY AVAILABLE. FAILURE TO SATISFY ESSENTIAL CIVILIAN TIER NEEDS WOULD RESULT IN RATHER SEVERE PENALTIES AND HIGH RISK TO OUR NATIONAL SURVIVAL CAPABILITIES DURING TIME OF WAR. EXAMPLES OF SOME OF THE TYPES OF EXPENDITURES IN THIS SECOND TIER ARE WORKER TRANSPORTATION, CONSTRUCTION OF BRIDGES, HEALTH CARE, FOOD, AND CLOTHING.

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PAGE 06 STATE 280363

14. THE GENERAL CIVILIAN TIER INCLUDES EXPENDITURES THAT ARE LESS DIRECTLY SUPPORTIVE OF THE WAR EFFORT, BUT WHICH ARE NEEDED TO KEEP THE INDUSTRIAL BASE VIABLE. EXAMPLES IN THIS CATEGORY INCLUDE NEW CARS, MOST CONSUMER SERVICES (E.G., RECREATION), AND CONSTRUCTION NOT DIRECTLY RELATED TO THE DEFENSE EFFORT. ALTHOUGH IT IS CALLED THE GENERAL CIVILIAN TIER, IT IS REALLY A LOWER LEVEL ESSENTIAL CIVILIAN TIER, SINCE IT IS ESTABLISHED AFTER ADJUSTMENTS ARE MADE TO THE CIVILIAN SECTOR FOR AUSTERITY, CONSERVATION, AND POSSIBILITIES FOR SUBSTITUTION.

15. AFTER THE ECONOMY HAS BEEN STRATIFIED, RISK FACTORS ARE THEN APPLIED. RISK IS STRUCTURED NOT ONLY BY ECONOMIC TIERS BUT BY THREE YEARS OF THE WAR PLANNING

PERIOD. IT PROCEEDS FROM AN AREA WHICH WE MIGHT CALL THE VERY HIGHEST RISK (DEFENSE, YEAR 1) TO THE LOWEST RISK (GENERAL CIVILIAN, YEAR 3). ELEVEN SEPARATE PLANNING FACTORS ARE USED TO ESTIMATE A MINI-

STOCKPILE FOR EACH YEAR AND SECTOR. FOR EACH OF THE 11 PLANNING FACTORS, AND FOR EACH OF THE NINE CELLS OF THE WARTIME ECONOMY (I.E. 3 YEARS, 3 TIERS), DECISIONS CAN BE MADE TO REFLECT BOTH THE DEGREE OF RISK AND IMPORTANCE ATTACHED TO FILLING THE VARIOUS TIERS.

16. PHASE II COMMENCED IN FEBRUARY 1976 AND WAS COMPLETED IN JULY, 1976. IT ENCOMPASSED A REFINEMENT OF THE VARIABLE CONFIDENCE LEVEL, AND THE DEVELOPMENT OF A STOCKPILE PLANNING PROCESS. IN THE FIRST INSTANCE THE VALIDITY OF THE INPUT DATA USED IN STOCKPILE CALCULATIONS WAS EXAMINED AND AN LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 07 STATE 280363

EXTENSIVE ANALYSIS OF THE ADEQUACY OF THE COMPUTATIONAL PROCEDURES WAS MADE. A THOROUGH REEXAMINATION OF THE ELEVEN STOCKPILE PLANNING FACTORS WAS ALSO UNDERTAKEN. AMONG THEM ARE: HOW MUCH CIVILIAN AUSTERITY CAN WE LEVY ON THE ECONOMY? WHAT ASSUMPTIONS CAN BE MADE ABOUT SUBSTITUTION? WHAT FOREIGN AND DOMESTIC PRODUCTION RATES ARE AVAILABLE? HOW FAST WOULD MATERIALS BE CONSUMED, AND TECHNICAL ITEMS OF THAT NATURE.

17. FOUR MAJOR ISSUES BECAME APPARENT IN THE COURSE OF PHASE II:

A. LEVEL OF MOBILIZATION - HOW INTENSIVE IS THE CONFLICT?

B. LENGTH OF THE CONFLICT - WHILE THERE HAD BEEN A GENERAL ACCEPTANCE OF A 3-YEAR PERIOD, SOMETHING GREATER OR LESS THAN 3 YEARS WAS AVAILABLE AS A PRESIDENTIAL OPTION.

C. LENGTH OF WARNING PERIOD - HOW MUCH TIME DO WE HAVE TO PREPARE FOR THE CONFLICT?

D. THE DEGREE OF PROTECTION TO BE PROVIDED TO THE CIVILIAN SECTORS.

18. THESE ISSUES WERE CONSIDERED BY THE PRESIDENT AND NEW POLICY GUIDANCE WAS ISSUED CALLING FOR A MATERIALS STOCKPILE CAPABLE OF SUPPORTING U.S. DEFENSE REQUIREMENTS:

- DURING A MAJOR WAR;

- OVER A THREE-YEAR PERIOD;

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PAGE 08 STATE 280363

- ASSUMING LARGE-SCALE INDUSTRIAL MOBILIZATION (AND THE ASSOCIATED INCREASED MATERIALS DEMANDS); AND

- PROVIDING AT THE SAME TIME FOR A BROAD RANGE OF BASIC CIVILIAN ECONOMIC NEEDS TO ENSURE THE HEALTH AND VITALITY OF THE WARTIME ECONOMY.

19. THESE DECISIONS HAVE NOW BEEN TRANSLATED INTO NEW STOCKPILE GOALS. IN SOME CASES THESE GOALS EXCEED THE CURRENT INVENTORY, AND IN OTHER CASES A SIGNIFICANT PORTION OF THE PRESENT STOCKPILE (IN TERMS OF DOLLAR VALUE) CONSISTS OF MATERIALS NOT REQUIRED. TO FULLY IMPLEMENT THE NEW POLICY, MAJOR PROGRAMS OF BOTH ACQUISITIONS AND DISPOSALS MUST BE CONDUCTED IN THE YEARS AHEAD. SINCE MARKET CONSIDERATIONS REQUIRED BY THE BASIC STOCKPILING STATUTE WILL CONSTRAIN THE RATE AT WHICH MATERIALS CAN BE BOUGHT OR SOLD, ACHIEVEMENT OF ALL OF THE NEW STOCKPILE GOALS WILL BE A LONG-TERM PROPOSITION STRETCHING OVER A NUMBER OF YEARS; AND VERY CAREFUL CONSIDERATION WILL BE GIVEN TO THE EFFECTS OF STOCKPILE DECISIONS ON INTERNATIONAL AND NATIONAL MARKET CONDITIONS.

20. THE POLICY GUIDANCE ALSO INDICATED THE USE OF CONSERVATIVE PLANNING ASSUMPTIONS, AND IT APPROVED A STOCKPILE PLANNING PROCESS WITH THREE MAJOR PROVISIONS: FIRST, THE FREQUENT UPDATING OF STOCKPILE GOALS; SECOND, AN ORDERLY RESTRUCTURING OF THE STOCKPILE THROUGH SUBMISSION OF AN ANNUAL MATERIALS PLAN IN WHICH THESE CERTAIN MATERIALS ARE PROPOSED FOR ACQUISITION AND DISPOSAL; AND THIRD, IT ALSO PROVIDED FOR A REVIEW OF POLICY

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PAGE 09 STATE 280363

GUIDANCE AT LEAST EVERY FOUR YEARS, OR SOONER IF NECESSARY.

21. ANOTHER VERY IMPORTANT ASPECT OF THE POLICY IS THAT IT RECOGNIZED THE STOCKPILE AS A SOURCE OF TWO DISTINCT HEDGES: FIRST, THE STOCKPILE WAS

RECOGNIZED AS A HEDGE AGAINST ABSOLUTE SHORTFALLS
IN INDUSTRIAL MATERIALS; AND SECOND, THE STOCKPILE
WAS RECOGNIZED AS A HEDGE AGAINST POSSIBLE ERRORS
RESULTING FROM MORE OPTIMISTIC DEFENSE PLANNING.

22. WITH THIS AS BACKGROUND, A BRIEF DISCUSSION OF
THE CURRENT STOCKPILE POLICY PERIOD AND THE MECHANICS
OF HOW STOCKPILE POLICY IS IMPLEMENTED WOULD APPEAR
TO BE APPROPRIATE.

23. THE PRESIDENT APPROVES POLICY GUIDANCE AND HE
TRANSMITS IT THROUGH THE EXECUTIVE OFFICE OF THE
PRESIDENT. POLICY FILTERS DOWN TO THE DIRECTOR
OF FPA WHO IS CHARGED WITH THE IMPLEMENTATION
OF THE POLICY AND SEEING THAT THE NEEDED ACQUISITIONS
AND DISPOSALS TAKE PLACE. HE IS SUPPORTED IN THIS
ACTIVITY BY A FEDERAL INTERAGENCY GROUP CALLED THE
ANNUAL MATERIALS PLAN STEERING COMMITTEE. THIS
COMMITTEE DEVELOPS AND SUBMITS TO THE DIRECTOR,
FPA (AND THENCE TO THE PRESIDENT) EVERY YEAR AN
ANNUAL MATERIALS PLAN FOR ACQUISITIONS AND DISPOSALS.
THIS PLAN SETS FORTH A SERIES OF QUANTITIES OF
SEPARATE MATERIALS PROPOSED FOR ACQUISITION OR
DISPOSAL. THE QUANTITIES PROPOSED ALLOW FOR
MARKET CONDITIONS, BUDGETING CONSTRAINTS,
TECHNOLOGICAL CHANGE, AND THE INTERNATIONAL
SITUATION.

24. IN OCTOBER, 1977, PRESIDENT CARTER AFFIRMED
THE STOCKPILE POLICY GUIDANCE OF 1976.
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PAGE 10 STATE 280363

25. UNDER THE RECENTLY APPROVED GUIDANCE, GOALS
ARE CURRENTLY SATISFIED FOR 51 MATERIALS. SIXTEEN
OF THE 51 HAVE ZERO GOALS AND INVENTORIES DO EXIST
FOR 13 OF THE 16. THESE HAVE BEEN RETAINED IN THE
STOCKPILE BECAUSE THEY ARE STILL VIEWED AS
STRATEGIC AND CRITICAL. THE REMAINING 42 (OUT OF
93) MATERIALS HAVE GOALS NOT FILLED, EITHER PARTIALLY
OR NOT AT ALL, FROM THE STOCKPILE. SIX OF THE
42 MATERIALS, WHICH HAVE NEWLY ESTABLISHED GOALS,
HAVE NO INVENTORY.
END TEXT.

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